

(SP) THE IMPACT OF THE BOSMAN RULING ON FOOTBALL LEAGUES

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Introduction

The implications in the transfer system due to the Bosman ruling in December 1995, were perceived to be both negative and beneficial to football. Downward and Dawson (2000) as well as Simmons (1997) support that, after the move to free agency, a dramatic increase was noted on clubs' wages. In detail, Simmons (1997) argued that the move towards a free agency has the subsequent effect of raising players' salaries. He further explained that the transfer fees that would have been paid will instead be converted into higher player salaries and signing-on fees. This point of view agrees with the results of a study carried out by prominent scholars, such as Downward and Dawson (2000), who found, as far as players' wages within the Premier league are concerned, that there is a considerable rise after the move to free agency. They also supported that the shift away from monopsonistic labor market to a competitive one increases salaries, as there is no exploitation of players anymore. They further explained that players' wages, in the Pre Bosman Period, under monopsonistic labour market were below their marginal revenue products. As a result of this, exploitation of the players was occurred by their clubs. With the movement towards free agency, in the Post Bosman period, players' power increased. As a result of this, players' wages rose above the monopsony level and, in the limit, approached the competitive level, where players' wages reflect their marginal revenue products. Thus, the implications of increased player power for league policy really hinge upon players transferring wealth back to themselves and away from clubs (Downward and Dawson, 2000).

On the other hand, however, the results by the previous researchers come in conflict with the findings of some other researchers, such as of Moorhouse (1999), Sanderson and Seigfried (1997) and Szymanski and Kuypers (1999) who disagreed that the Bosman judgment contributed on the increase of players' wages over the last few years and they supported that this decision led only on a huge increase on stars players' wages, such as Zidane, Beckham or Ronaldo, while the level of the wage of average players did not alter significantly. Therefore, the Bosman judgment, helped more so a wider gap to be developed between the salaries of stars players and what the average players earn, rather than on a general increase on players' wages, as supported by the findings of the above researchers. This research aims to investigate the effect of the Bosman ruling within the Premier league and especially the impact of the Bosman Judgement on player trading and on teams' wages and salaries

Methodology

The methodology that was utilized to accomplish the above research objective related to the principles of regression analysis. The analysis enclosed teams' salaries information, activities in the transfer market as well as some other parameters, such as Bosman ruling, and the trend of the league. By using all of these data, various models were created in order to depict as well as possible the progression on the clubs' wages for each year (from 1987 to 2002). Regression models were utilised because they ensure an accurate and reliable anticipation for the impact of Bosman on clubs' wages. Initially, a high number of parameters were used, but finally the analysis ended up in two models with three parameters per model. In the first model, the dependent variable was *the Wages* and the independent variables are *the Bosman ruling*, *the Revenue* of the clubs, which participate within the championship of the premiership from 1986-87 to 2001-02 and *the Trend* of those football seasons. The regression model, which was utilized, is the following: $W_{it} = b_0 + b_1 Rev_{it-1} + b_2 Trend + b_3 Bosman$

The coefficients of the first model can estimate in absolute values the impact of each variable to wages. With the logarithmic transformation, a second model was generated, where the coefficients can be interpreted as percentages. In the second model that we can use in order to illustrate the ln of wages (dependent variable), applying the independent variables of the Bosman ruling, the ln of Revenue of the clubs, which participate within the championship of the premier ship from 1986- 87 to 2001-02 and the Trend of those football seasons

$$\mathbf{Ln(W_{it})= b_0 + b_1 Ln(Rev_{it-1})+ b_2 Trend + b_3 Bosman}$$

Results and Conclusions

With the help of the first regression model, it was found that the Bosman decision influenced teams' wages in absolute values equal to £ 2.73 million. The second regression model indicated that the Bosman ruling affected clubs' wages in a percentage of 27.7%. On the one hand, the results of this study coincide with the findings of Downward and Dawson (2000) as well as of Simmons (1997), who also support that the free agency, in the Post Bosman period, has increased the power of the players. As a result of this, players' wages rose above the monopsony level and, in the limit, approached the competitive level, where players' wages reflect their marginal revenue products. Thus, the implications of increased player power for league policy really hinge upon players transferring wealth back to themselves and away from clubs. On the other hand, however, the results of this study come in conflict with the findings of some other researchers, such as of Moorhouse (1999), Sanderson and Seigfried (1997) and Szymanski and Kuypers (1999), who pointed out that, over the last few years, the Bosman judgment contributed on the significant increase of the wages of the stars players, while the wage level of average players remained rather stable. Therefore, according to the above researchers, the Bosman judgment has widened the gap between the salaries of stars players and what the average players earn, rather than increasing the players' wages. This has also being supported by the findings of this study; indicating that the Bosman judgment contributed in a percentage of approximately 28% on the rise of clubs' wages over the last few years.

Based on the findings of this research, some consequences should be considered for the premier league. It seems that most top players will obtain more bargaining power, however, this will mean for the clubs a substantial loss of money, which could be efficiently used for football infrastructure. On the other hand, clubs can end up spending considerably less for obtaining new players, as, after the move to free agency, clubs will not have to pay any more for transfer fees. This could mean for the club an opportunity to acquire more skilful and talented players, which could reserve a positive impact on clubs' performance and thus greater revenue. However, the dramatic rise on clubs' wages might contribute to widen even further the disparity between the bigger and the smaller clubs, as some clubs (mostly smaller ones), now, will not afford to sign more skilful players. Therefore this might also lead to producing a less competitive balance and to reducing considerably the uncertainty of outcome within the league.

Overall, there should be a serious concern over the enormous rise in player salaries, because such huge wage demands could put clubs out of business and jeopardise football. Thus, relevant strategies are necessary to deal with this problem, including salary caps or a drafting system, such as those employed by the Rugby Football League in the UK. Such strategies can help the teams to cope with the increasing player salaries in the post-Bosman era.

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